

Remembering Henry – Father of the IPS

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Ten years after his death, it is fitting to remember the life and work of Henry Lang in this journal. He can be regarded as the father of the Institute of Policy Studies. The honorary doctorate the university bestowed on him in 1984 acknowledged the great contribution he had made to his alma mater and to university education in the course of his distinguished career.

Born Heinrich in Vienna on 3 March 1919, Henry George Lang died in Wellington on 17 April 1997, as one of the small group first admitted to the new Order of New Zealand, designed to be New Zealand's highest honour, in 1989. The award recognised what he had done to transform the Treasury, strengthen the public service and contribute in many ways to the economic, social and cultural development of New Zealand.

He escaped to New Zealand with his mother, who was Jewish, and his stepfather, Ernst Plischke, after the German occupation of his home country, arriving here in May 1939. The New Zealand to which they came was very British-oriented and on the brink of participating in the Second World War. Those from other backgrounds had to overcome a good deal of suspicion and discrimination (Tyler, 2000).

Henry Lang readily adapted to the New Zealand environment. As John Martin observed in his excellent entry on him in the *Dictionary of New Zealand Biography*, he had 'an extraordinary gift for friendship extending across generations, occupations and location' (Martin, 2000, p.279). He quickly obtained employment, first in a prune canning factory, and later successively as bookkeeper, accountant and acting secretary of Warner Brothers Pictures. He married Octavia (Tup) Turton in 1942. He had met her on a skiing trip. Henry was already accomplished in the sport, which became one of many shared interests with Tup during a long and happy marriage, from which three daughters and a son survive.¹

He arrived with a good foundation from his Austrian education. He studied part time in the 1940s at Victoria University College, completing a BCom in accountancy and economics in 1945 and a BA in philosophy in 1947.

After serving in the air force between 1944 and 1946, Lang was appointed to the investigating staff of the Economic Stabilisation Commission. This commission, which was chaired by the then secretary to the Treasury, Bernard Ashwin, had been the heart of New Zealand's wartime economic policy making. It remained very influential in New Zealand's highly regulated economic system in the early postwar period. Its staff contained more economic expertise during this period than the Treasury. Lang's work enabled him to develop constructive links with leaders of the major interest groups that interacted with government in negotiating 'fair shares' in the development of fiscal and incomes policy at the time.

While Lang never took a postgraduate degree in economics, he achieved a deep understanding of the discipline, both through his work at the commission and through a secondment to do postgraduate work full time, including study of public economics, at Victoria University College for the Diploma of Public Administration in 1949 and 1950. Some joint work done during this period on national income with John Baker, who went on to become government statistician, was published in the 1950 *New Zealand Official Yearbook* (Baker and Lang, 1950). On completion of the DPA, Lang was transferred to the Treasury as an investigating officer, joining a few colleagues from the Economic Stabilisation Commission who had preceded him. He was promoted to senior research officer in 1954.

¹ The Langs were devastated by the death of their daughter Fran, with her husband, in an air crash shortly after their marriage in England.

Another important milestone in his progress in the public service was his secondment as economic counsellor in the New Zealand High Commission in London, where he served between 1955 and early 1958. It was typical of Lang's approach to getting things done that, when he discovered that I was setting out to work at Chatham House on the implications for New Zealand, Britain and the Commonwealth of likely developments in European integration, he suggested that we should work together on issues rather than in isolation from one another.

Britain remained by far New Zealand's major market. My discussions with British agriculture and trade officials indicated that Lang was building very effectively on the legacy of interaction that Ashwin in particular had developed in negotiations on bulk purchase agreements. It was a very useful complement to my own interviews and studies to be involved with the High Commission work that Lang was leading. His secondment to London equipped him to serve the government well in its endeavours to secure a special arrangement to protect New Zealand's interests when Britain decided to apply for membership of the European Economic Community. (A British official apparently dubbed him 'the Hapsburg diplomat'.)

He became increasingly influential in the policy-making process after his return from London, first as chief research officer at the Treasury, and later as assistant secretary in 1965, deputy secretary in 1966 and secretary between 1968 and his retirement early in 1977. (In his history of the Treasury, Malcolm McKinnon (McKinnon, 2003) notes that it was necessary for anyone aspiring to be the secretary of the Treasury to have had experience as finance officer. Henry obtained that experience in 1962–63.)

Some obituary writers called Lang 'the father of the modern Treasury'. Ashwin had earned similar mana and served longer in the top job than Lang.² But Lang did more in deliberately building up a strong team

of economists and policy analysts in the Treasury by good selection and management. The research division languished after the retirement of Ashwin and while Lang was away. One significant appointment, of Bernard Galvin, was made during that period, but few economists were recruited until the influence of Henry Lang was felt from the early 1960s onwards. He was determined to ensure that the Treasury acquired and retained people with first-class minds and communication skills so that it could earn a central position in the advisory system. He was always asking me and other university professors if we could recommend intelligent young graduates who might be persuaded to join the Treasury. As his friend, colleague and successor as secretary, Noel Lough, said at the memorial service for him,

he sought an ability to think clearly, critically, and to write well. He deliberately sought graduates in all disciplines so that the Treasury did not become too narrowly focused on accounting and economics. In recruitment, and in allocation of work and promotion, women were given equal opportunity to rise up the ladder on their merit.

He was more successful than other departments in attracting and retaining good people. His staff enjoyed the early responsibility delegated to them, and Lang's personal interest in their contribution, including their active participation in vigorous debate within the institution. McKinnon's history of the Treasury emphasises his importance in engineering a shift in the pecking order of responsibility, from those engaged in 'saving candle ends' to those focused on providing advice on New Zealand's economic and social development (McKinnon, 2003, especially pp.226–73). In the process, he significantly increased the influence of the Treasury in the official committees that were established to co-ordinate public service advice to Cabinet. (A Treasury signature was required on all such reports before they went to Cabinet.)

Henry Lang served three ministers of finance during his term as secretary: Robert Muldoon (twice), Bill Rowling and Bob Tizard. Even before he attained the office of secretary he represented the Treasury often in high-level discussions with ministers on policy, and therefore exerted influence greater than his position might have suggested. According to one of his most respected colleagues at the Treasury, Jas McKenzie, 'his skill with ministers was truly formidable. Watching

² According to Geoff Schmitt, Ashwin was more of a loner in establishing the power and influence of the Treasury during most of his time at the top. His decision to increase the numbers of those with economic expertise in his department was a reaction to an advertisement by the Ministry of Works for three economists as research officers. Ashwin persuaded the Public Service Commission that these positions should be relocated to the Treasury. Albert McGregor, Lou Durbin and Geoff Schmitt were appointed. Henry Lang joined soon afterwards, as did others like Jim Moriarty when the Stabilisation Commission was disbanded.

Henry take a complex brief and lay it out for a Cabinet committee, quietly but incisively, was both a delight and a great learning experience. No wonder ministers always valued his counsel' (McKenzie, 1997)

The 1960s and 1970s were dominated by widespread debate on how best to improve New Zealand's lagging rate of growth, reduce its dependence on the British market and on a narrow range of relatively unprocessed commodities, and bring inflation and instability under better control. Treasury advice reflected Lang's belief, which I shared, that it was important to aim for a more open and adaptable economy, to move away from excessive protection behind a wall of import licensing and to reduce reliance on administrative controls in stabilisation policy (Lang, 1973). This would require greater emphasis on the tools of monetary, fiscal and exchange-rate policy that worked through markets.

Even politicians who agreed in principle with this philosophy found it politically difficult to put it into practice. Protected manufacturers and unions were politically influential and wedded to retaining import licensing. They were supported by some within the public service, especially in the Department of Industries and Commerce when led by significant figures such as W.B. Sutch and Jack Lewin. Leading members of the National Party rightly or wrongly believed that their qualified support for a move away from import licensing to a more uniform and less protective tariff was an important factor in their loss of the 1972 election. This belief coloured their attitude to the development of a genuine free trade area with Australia; in the agreement for CER introduced in 1983 they insisted on a 15-year period for the phasing out of import licensing.

The Treasury also faced political resistance, and divided opinions within the economics profession, if it was suggested that governments should consider increasing taxation or interest rates or altering the exchange rate as instruments of stabilisation or development policy. The papers produced by people from the research division of the Treasury, including Henry Lang, reflect the efforts that they were making to apply the principles of Keynesian analysis to the issues confronting New Zealand society. The politicians were happy to accept these principles as a means of avoiding any downswings in the rates of growth of production and employment. They were reluctant to apply the principles to countering the inflationary pressures which were so strong in the

1960s and 1970s. Accordingly, the history of this period is replete with instances of economists jousting with politicians on how best to stabilise fluctuations in the New Zealand economy. The adverse public reaction to the so-called 'black budget' introduced by the Nash–Nordmeyer administration in 1958 exerted a restraining influence on tax policy for many years afterwards.

The conventional wisdom also favoured fixed exchange rates. The exchange rate established by the Labour government after a large revaluation in 1948 began to look increasingly unsuitable in the early 1960s. Many economists might have advocated greater flexibility in less inflationary circumstances, but there were strong cost-plus influences in the heavily protected New Zealand economy that could quickly dissipate the beneficial effects of devaluation or depreciation.

The debate within the Treasury team was producing increasingly more market-oriented advice on strategy for more rapid and stable development. Lang strongly believed in maintaining the independence and integrity of Treasury advice to ministers and Cabinet. He also accepted that, as a public servant, he must assist the elected government to implement its policies to the best of his ability. This required him and the Treasury from time to time to devise policy instruments that they would regard as 'second-best' compromise means of achieving the government's objectives. Such compromises included tax incentives directed at the earning of overseas exchange and various forms of incomes policy.

The Holyoake government was persuaded after the 1966 election that budgetary restraint was required to reduce inflationary pressure in the economy. Lang found Robert Muldoon, as a relatively new minister of finance, effective in his capacity to utilise new means of communication to 'sell' to the electorate what was probably as 'black' a budget as that of 1958. This set the stage for him to take advantage of a devaluation of the pound sterling to devalue the New Zealand dollar by a greater percentage, thus restoring the parity with Australia that had existed prior to 1948.

In the early 1960s I had been advocating that government should promote more market-oriented consultative planning of development. The Holyoake government supported the idea and held a number of development conferences, culminating in the National

Development Conference (NDC) of 1968–69. Lang saw these as an opportunity to promote discussion and debate on strategic issues within the public sector and among the various interest groups. He became the dominant figure in enabling the Treasury team to play a leading role in co-ordinating consultations among the public sector, representatives of private enterprise and research institutions on how best to improve New Zealand's economic and social development.

The Treasury required considerable strengthening in its own expertise and the co-operation of experts in other institutions if it was to be successful in this role. Lang provided outstanding leadership in fostering Treasury's own capacity for analysis and research. He was adept at securing co-operation from others in the task. He was so charming and persuasive that it was almost impossible to refuse requests from him to help. For example, he persuaded Jim Rowe, then the director of the Institute of Economic Research, and me to assist in the establishment of a planning unit in the Treasury and in producing a section on planning and government in the 1966 *Economic Review*. Several other academics felt obliged to accede to pleas from Henry that he needed them to help him develop his ideas or to get the outcome of your mutual efforts across to a wider audience. When my wife sometimes protested at the effects of one of these pleas, he would have the gall to tell her that she should stop me working so hard.

He used his persuasive skills effectively in harnessing the skills of good people in the universities, the Reserve Bank, the Institute of Economic Research and the Meat and Wool Board Economic Service in joint efforts to serve the NDC institutions while improving the basis of research, statistics and other information required. He also led significant improvements in the way the public accounts were prepared, laying better foundations for decision making in the public sector by clarifying objectives, recording costs and requiring more forward-looking programming of expenditure as a better basis for determining priorities.

While public servants at the time were considerably inhibited from revealing their views in public, Lang did as much as he could to foster informed public discussion of major issues of public policy. Those of us who served on the Monetary and Economic Council found him very supportive of our 'public watchdog' functions. He had always been ready to accept invitations to share his

knowledge and experience in programmes like the DPA at Victoria University, and in many other continuing education activities, such as the work of the Institute of Public Administration. He was president of the institute in 1960/61 and played a significant role in the establishment of the Administrative Staff College (later the College of Management.)³

The NDC planning mechanisms atrophied and lost touch with government decisions after 1972. After Muldoon's success in the 1975 election, Lang persuaded him not to try to resurrect the old NDC institutions, but to commission a wide-ranging strategic audit by a task force, under me as an independent chair, encompassing economic, social, cultural and regional issues. Through the Treasury he organised a competent secretariat for the task force from several government departments and the Reserve Bank. The report of the task force became the basis for the creation of a New Zealand Planning Council of able individuals, not dominated by representatives of interest groups and government. Although the minister of national development and secretary of the Treasury were members, the council was given considerable independence to publish its collective views on policy options to deal with issues it considered to be strategically important in the medium term. Lang was very supportive of these arrangements.

Lang's relationship with Muldoon appeared to have been reasonably good during the latter's apprenticeship as minister of finance from 1967 to 1972. During that period, Muldoon, with Holyoake's support, displayed greater readiness than his predecessors in the postwar period to utilise and sell to the public firmer fiscal measures and some adjustment of the exchange rate to help stabilise the New Zealand economy. He also found Lang and the Treasury helpful to him in carrying out the role he was allocated in the proceedings of the NDC.

Lang had a very good professional and personal relationship with Bill Rowling as minister of finance in the Labour government which took office in 1972. This continued in a modified way when Rowling became prime minister.⁴ Together they faced considerable difficulties as a result of the commodity boom that

3 He was also influential in the setting up of the Royal Commission on the State Services during his presidency.

4 They also continued a friendly relationship in later years, including as colleagues on the board of the Museum of New Zealand Te Papa Tongarewa.

prevailed in the early stages of this administration. Norman Kirk, as prime minister, was suspicious of intellectuals generally and the sorts of adviser employed in the Treasury in particular. His government wanted to spend heavily on health, education and welfare. After the first oil crisis, Rowling, Tizard and Lang had to lead an agonising reappraisal of expectations and policies. The policies adopted put considerable emphasis on liberalising the import licensing system in the first instance, some attempts to stabilise pay-outs to exporters, on monetary more than fiscal measures to restrain excessive spending, and on increasing recourse to overseas borrowing in an endeavour to sustain output and employment – always a priority in Lang’s personal policy objectives.

Muldoon had a sweeping victory in the 1975 election. Lang kept a confidential diary of the transition.⁵ When he called on Muldoon on 3 December he was received ‘most cordially. For the first time in my association with him, he got up from his desk, came towards me and shook my hand and offered me a seat.’ However, at a long session on 4 December, Muldoon ‘returned to his more normal abrasive manner’. This change probably stemmed from discussion of the prime minister’s intention to abolish Labour’s New Zealand Superannuation (NZS) scheme. Lang advised Muldoon that he did not want to be involved in the NZS discussions. He had had some acrimonious exchanges with Muldoon when the latter was leader of the opposition because Muldoon considered that, as an official, Lang had become excessively supportive of the Labour scheme. Lang drew attention to some of the problems of its abolition, for example in equity between employees in NZS and those in other schemes, and the economic impact to be expected from the return of \$50 million of past contributions and the loss of an inflow of \$100 million in new contributions. Muldoon said that these could easily be handled. He was impatient with administrative delays. While objections from actuaries could be expected, ‘they were barely useful people’. In his diary Henry commented, ‘his ignorance was exceeded only by his breathtaking arrogance’.

Lang was disturbed to find that Muldoon intended to release part of a secret report of the Treasury on economic strategy, believing this would be damaging to the government and unhelpful to the Treasury. He asked to see Muldoon and had a half-hour meeting ‘which can be described in a variety of ways but amicable is

not among them’. He told Muldoon that the tradition was for confidential advice by the Treasury not to be published. The only previous occasion had been a mistake. Muldoon replied that he had criticised the Labour Party for not publishing and said he intended to publish; Lang reserved the right to respond publicly. Behind the scenes he apparently managed to get the prime minister’s chief press secretary to amend the release so that it was ‘damaging but not disastrous’.

Muldoon wanted to have a small Prime Minister’s Department, independent of Foreign Affairs. After some discussion about its composition and functions, Lang was gratified that his Treasury colleague, Bernard Galvin, was generally approved as the most suitable person for the job of heading the Prime Minister’s Office and Advisory Group. Later in the month Lang discovered that the prime minister had told a television audience that the secretary of Treasury was entirely happy with arrangements in the Prime Minister’s Department. Lang’s diary entry observes that ‘he had not consulted me ... but made the usual presumption that whatever suited him had to bring joy to his slaves’.

After the election Muldoon decided to move quickly to curb consumer spending by increasing charges for public services and prices for petrol, milk and bread. Lang thought this was too deflationary and was concerned about the possible effects on unemployment. He was becoming concerned that, as both prime minister and minister of finance, Muldoon could be trying to drive a wedge between him and Galvin. He had concluded that the prime minister was becoming a one-man band who had no faith in the overwhelming majority of his ministers.

According to Barry Gustafson, when Lang, at a time of considerable economic difficulty, decided to retire early in 1977 (at the age of 58), Muldoon was annoyed (Gustafson, 2000, p.179).⁶ He felt Lang had put his own interests ahead of his public service duty in not staying on as secretary of the Treasury until he reached 60.⁷ Although Lang had been a very effective head of the Treasury for eight difficult years, Muldoon opposed a

5 This is included among his papers in the Alexander Turnbull Library.

6 Gustafson wrongly reports that Lang retired at 56.

7 Lang was reported in an interview published in the Evening Post on 1 April 1996 to have said, ‘I did n’t like Muldoon, but he was a very effective minister. I respected him and he respected me, and he would have preferred me to stay.’

knighthood for him and the Cabinet honours committee concurred with a lesser honour. Accordingly, Ashwin remained the only Treasury secretary to have been, as McKinnon put it, 'encumbered' with a knighthood (McKinnon, 2003, p.216). Easton considers that Lang would have refused a knighthood anyway – for him to be called 'Sir Henry' was 'unthinkable' (Easton, 2001). I believe that he would have accepted and carried the honour with humble pride and grace, as he did the more prestigious award of the ONZ many years later.

Was Lang 'a regulator like his Minister', as Roderick Deane is quoted as describing him in Michael and Judith Bassett's biography of Deane (Bassett and Bassett, 2006)?⁸ Lang's 1973 paper on economic and foreign policy indicates that he was opposed to 'fortress New Zealand' policies, and considered that industries should be able to adapt to lower protection as part of a policy of structural change to promote growth and diversify trade (Lang, 1973). But that policy should include effective and innovative industrial policies embracing research and development, fiscal incentives, tariff reform, adjustment assistance and active labour market measures. Thus he saw the state playing a very active role in moving towards a more open and competitive economy.

He also revealed a bias towards using a substantial proportion of the benefits of faster growth in the improvement of the social environment rather than in the provision of additional material goods. At his memorial service, many of his friends commented on how much he hoped that New Zealand would remain a relatively egalitarian society.

While he was sceptical of the effectiveness of incomes policies, there is some evidence that he was more pragmatic than some of his colleagues, especially an increasing number of younger ones, in his approach to the return to direct controls on incomes and prices to counter the 'stagflation' that beset the protected, cost-plus economy from the late 1960s. While approving of much of the radical reform programme of the Labour government of 1984–90, Lang considered that it had paid inadequate attention to trying to avoid high

unemployment and the social problems and racial tension associated with it. It is not surprising that he was regarded as 'interventionist' by some of those who believed that rapid and radical market-oriented reform was vital for New Zealand's future economic and social development.

In the late 1980s Lang was concerned by what he saw as the collapse of the pre-1984 system of interdepartmental co-ordination and co-operation in the public service and the reduced consultation with the private sector, which increased policy uncertainty. He considered that the Treasury had become a monolithic institution of high quality, dedicated to a framework of advice based on a free-market creed, but paying little attention to the foregoing problems and the impact of the policies on people adversely affected by them. The Treasury, he believed, faced insufficient intellectual checks and balances on its dominance within the public service. If a return to a more collegiate policy-making process by senior officials and ministers were not deemed practicable, he would advocate building up a more powerful Department of Prime Minister and Cabinet as an alternative designed to ensure more adequate, forward-looking policy co-ordination.

After his retirement from the Treasury early in 1977, Lang became a visiting professor of economics and convenor of the Master of Public Policy programme at Victoria University. He had all the qualities of an excellent teacher. Such people bring out the best in their students; always recognise that there is much more to learn even in fields in which they are supposed to be expert; enjoy discussion and debate with people whose views differ from their own; and expect younger people to be able to bring fresh perspectives to bear on issues with which they are dealing. That was Henry's natural style.

He continued to take an active interest in the Planning Council after he left the Treasury, and was influential in its work on taxation, income maintenance and the welfare state. When it came under threat of abolition by Muldoon in 1982, Lang played a leading role with John Roberts, myself and some senior public servants in successfully negotiating for the creation of an Institute of Policy Studies at Victoria University. His experience with the NDC and the Planning Council had persuaded him that an Institute of Policy Studies in the university in the capital city would have the best chance of

8 In the Bassett's biography, Lang is said to have protested to Governor Alan Low about one of Deane's speeches advocating the need for monetary policy to influence both the supply and cost of credit and to work through market forces. Such advocacy would not have been welcomed by Muldoon, Lang's minister. The governor did not dissuade Deane from continuing to publish his views (Bassett and Bassett, 2006, p.50).

independently anticipating and exploring potentially contentious strategic policy issues, and bringing them out for public discussion without fear or favour. But he also saw that its success would depend on its ability to attract and retain a director and staff of quality, and on the support of far-sighted top officials and business people as well as the university community. As the first chairman of the institute, Lang was most influential in generating the necessary support. He worked hard for many years to ensure that the quality of its work justified continuation. His abiding interest in its future was reflected in his generous bequest to endow the Henry Lang Fellowship to enable scholars of high quality to devote time to independent research into important policy issues.

Lang also made significant contributions to the development of the Diploma of Community Medicine at the Wellington Clinical School, and chaired government reviews of the health workforce and cardiac surgery. He earned great respect as a director of several companies, and as the chair of the board of a major insurance company. He continued to be a source of wise counsel to public servants in his university positions and privately to some politicians.

Henry and Tup Lang shared wide interests in physical recreation, books, theatre and the performing arts. Henry was a member of the board of the Museum of New Zealand, and a leader in the development of public sculpture in Wellington. Appropriately, a group of sculptures entitled 'Kaiwhakatere: the Navigator' was commissioned in his honour and located on a piece of land between Parliament buildings and the Treasury.

In education, health and cultural activities, as in his public service career, Henry Lang served his fellow New Zealanders with zest and energy. He was always seeking opportunities to break down artificial barriers and stereotypes dividing different groups in the community by getting them to look ahead and focus on how best to deal with issues of mutual concern. It was fitting that both the university and the government should have conferred on this remarkable man the highest distinctions that they were able to bestow. In everything he did, he showed us how to live life well, enjoy it to the full and make friends and admirers in all walks of life.

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